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July 30, 2002

Mr. J. J. Kryschtal
Regional Contracting Officer
United States Agency for International Development/South Africa
Sancardia Building, 9th Floor
524 Church Street
Arcadia, Pretoria 0007, South Africa

RE: Contract No. LAG-I-00-99-00036-00, Task Order No. 800
UI Project 06967-002, South Africa Access to Housing Finance for Lower Income Households
Quarterly Task Order Progress and Cost Report, April to June 2002

Dear Mr. Kryschtal:

Please find enclosed the Quarterly Task Order Progress and Cost Report, April to June 2002, South Africa Access to Housing Finance for Lower Income Households as required under Section F.12 of the above referenced contract.

Please direct any technical questions to Ms. Mary Tomlinson, CoP, UI/Houghton at 011-27-11-642-1872 or E-mail at mtomlinson@hfrp.org.za. Questions of a contractual nature should be addressed to me at (202) 261-5396.

Sincerely,



Maria C. Andrade-Stern

Enclosures

cc: Rebecca Black (USAID/South Africa)
Mary Tomlinson (UI/South Africa)
Dale Gredler (USAID Washington)
USAID Development Clearinghouse
IAC Deliverables File (06967-002)

**QUARTERLY TASK ORDER
PROGRESS AND COST
REPORT**

APRIL TO JUNE 2002

**SOUTH AFRICA ACCESS
TO HOUSING FINANCE
FOR LOWER INCOME
HOUSEHOLDS**

Prepared for



Prepared by

Mary Tomlinson
Chief of Party
The Urban Institute/South Africa

South Africa Access to Housing Finance for Lower Income Households
United States Agency for International Development
Contract No. LAG-I-00-99-00036-00, TO No. 800



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UI Project 06967-002

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QUARTERLY TASK ORDER PROGRESS AND COST REPORT

APRIL TO JUNE 2002

SOUTH AFRICA ACCESS TO HOUSING FINANCE FOR LOWER INCOME HOUSEHOLDS

Task Order No.: LAG-I-00-99-00036-00, TO No. 800

Date of Issuance: September 6, 2000

Amount Obligated Under Task Order: \$ 2,476,660

Total Potential Task Order Amount: \$ 3,771,314

Dollars Expended To-date: \$ 1,145,823

Task Order Description

In September 2000, the South Africa Mission of the United States Agency for International Development (USAID) contracted the Urban Institute (UI) to implement a two-year project to improve access to housing finance for low-income households. Specifically, the project aims to increase access to adequate housing for historically disadvantaged and lower income households in South Africa by providing better access to credit. As part of this effort, UI provides training, technical assistance and financial support to innovative initiatives by national and local governments, parastatal finance institutions, commercial finance institutions and non-governmental organizations (NGOs).

As required by Section F. 12 of the Contract, a description of the progress under Task Order No. 800, during the quarter is set out below.

Work Performed in the Previous Quarter

The second quarter of 2002 has been spent hosting or participating in several public events, promoting an occasional paper series based on research funded by the Housing Finance Resource Program (HFRP), and working with potential clients to formulate new projects to fund.

Public Events

Shorebank Advisory Services—The Alexandra Renewal Project (ARP) is a seven-year urban regeneration initiative directed at the famous township of Alexandra located in the northern suburbs of Johannesburg. The project seeks to fundamentally upgrade living conditions and human development potential in Alexandra by substantially reducing levels of unemployment, creating a healthy and clean living environment, providing engineering services at an affordable and sustainable level, reducing levels of crime



and violence, upgrading the existing housing environment and creating additional affordable housing opportunities.

The Program Manager of the ARP requested technical assistance from the United States' Shorebank Corporation, a community development bank, which seeks to restore economic opportunities in economically distressed and under-invested areas. The HFRP funded a visit from Helen Dunlap, the President of the Shorebank Advisory Services, to contribute lessons learned with respect to urban upgrading.

As part of the visit, three events were arranged and hosted by the HFRP, a workshop for South Africa's low-income banking sector; a workshop for the emerging social housing sector; and a workshop for metro and provincial housing authorities.

Low-income banking sector—The aim of this workshop was for Ms. Dunlap to present the U.S.'s Shorebank Model, including a brief history of the Shorebank; product descriptions; U.S. public resource and policy; and lessons from 25 years of practice that might hold some application for South Africa.

Emerging social housing sector—The aim of this workshop was for Ms. Dunlap to present the U.S.'s Shorebank Model, similar to above. In addition, the workshop focused on providing social housing associations with some examples of what they can do in providing affordable housing, irrespective of national government commitment.

Metro and provincial authorities—The aim of this workshop was to present the results of recently conducted research on South Africa's rental housing sector and possible models for supporting its development as an important housing delivery model. Rental housing models from overseas experience and how they might be applied to South Africa were presented by Ms. Dunlap.

Ms. Dunlap was well received by the various audiences and there have been further discussions about the Shorebank assisting South Africa to develop a similar institutional model.

HIV-AIDS and the Risk to South Africa's Financial Sector—The HFRP co-funded research on HIV-AIDS and the risk to the financial sector with the Home Loan Guarantee Company. The research has been used to underpin the development of an insurance product for borrowers that are diagnosed as being HIV positive.

Recently the Institute of Housing for South Africa hosted a seminar for the presentation of findings for a number of pieces of HIV-related research being funded by USAID. The findings of the research funded by the HFRP and the subsequent product developed by the HLGC were presented at this seminar.



Occasional Paper Series

One of the HFRP's areas of operation includes communicating project outcomes to relevant stakeholders. During this quarter, two additional papers were disseminated to the housing sector. They are:

- Rust, K. "*We're All Here—Now Where's the Party?*" Understanding perceptions of logjams in housing finance. January 2002.
- Rust, K. "*Competition or Cooperation?*" Understanding the relationship between banks and alternative lenders in the low-income housing sector, May 2002.

The HFRP disseminates approximately 150 copies with the release of each paper. Currently the HFRP's occasional papers are the only housing publications of this type.

Receiving, Assessing and Approving Requests for Assistance

Preliminary applications have been received and files opened for 44 potential projects. While some of the projects have not proceeded, due to them falling outside the HFRP's mission, objectives and funding focus areas, a number of the applications have developed into contracts.

Noteworthy is the fact that the CoP and Deputy CoP, work very intensively with potential clients, once it is determined that there is a project worth funding. This will include numerous meetings with the client to work out a detailed Scope of Work that consultants and firms can bid on. The reason for this effort is that few of the people working in various housing organizations are able to focus on precisely what it is they want to accomplish in their project. The HFRP uses its experience in the sector to help organizations structure a project with potential benefits/lessons for the entire sector.

Once the detail of a project has been determined, the HFRP's Procurement Officer handles the actual procurement process in terms of finding suitable consultants/firms to carry out the work and managing the drawing up of and implementation of contracts.

Contracts being negotiated

New projects currently being prepared are listed below:

- A proposal from the Inner City Upgrading Trust (ICHUT) to explore the tension between "housing rights and obligations" and how the emphasis on rights over obligations is placing severe constraints on private investment in housing delivery and maintenance.
- A proposal from the social housing sector to carry out research on the serious impact service payment arrears and defaults are having on private sector housing investment, especially since local authorities have the legal right to recover arrears from purchasers of properties.



- A proposal from the Cato Manor Development Association and Built Environment Support Group to carry out research on the sale of subsidized housing by beneficiaries with a view towards identifying features of the emerging informal housing market.
- A proposal from the People's Dialogue to investigate the subsidy mechanism for informal housing delivery.
- A proposal from NURCHA to carry out a feasibility study and develop a business plan on facilitating a small private landlord rental housing sector.
- A proposal from NURCHA to carry out a feasibility study and develop a business plan for the improvement of informal rental stock by household landlords.
- A proposal from Protea Finance to co-fund the development of a scorecard for determining credit risk.
- A proposal from ICHUT and the NHFC to carry out a feasibility study as to whether ICHUT's bridging finance role can be resuscitated and expanded to the national level.

Other Activities

Activities—Both the CoP and Deputy CoP have participated in various housing-related events this quarter. Some of them are listed below:

- CoP presented a lecture on South Africa's housing policy to the University of the Witwatersrand Town Planning Masters students;
- CoP attended a report-back on research being funded by USAID on the economic aspects of HIV-AIDS;
- CoP attended a two day establishment conference for the newly-created FINMARK TRUST, a organization aimed at unlocking development finance; and
- CoP attended an Institute of Housing for South Africa conference on housing initiatives in Gauteng Province.
- The DCoP attended board meetings of the Inner City Housing Upgrading Trust and COPE.

Travel

- The CoP flew to Cape Town, to meet with the General Manager of Protea Finance, an alternative lender seeking funding from the HFRP for the development of a scorecard to limit credit risk.

- The DCoP attended meetings with the Cato Manor Development Association in Durban to discuss possible case studies for the density project.
- The DCoP met with Stefan Swanepoel of the Real Property Foundation to discuss proposed activities in South Africa in support of local real estate capacity.

Significant Problems

There have been no significant problems in terms of running the HFRP office this quarter.

Work Planned for the next Reporting Period

During the next quarter the office will continue to focus on implementing its Strategic Plan for 2002.

Task Order Products

In-process and completed contracts

- HFRP 001 Nell, M. and Gordon, R. facilitation of an Establishment Workshop
- HFRP 002A University of Witwatersrand P&DM Program – Dr. Paul Hendler to attend the Wharton School's Improving Housing Finance Systems in Emerging and Advanced Economies course
- HFRP 002B PO to University of Witwatersrand for program assistance funds to conduct the Wharton School/Wits P&DM Joint Housing Finance Training Program
- HFRP 002C - Hoek-Smit, M. Wharton School/Wits P&DM Joint Housing Finance Training Program
- HFRP 002C - Diamond, D. Wharton School/Wits P&DM Joint Housing Finance Training Program
- HFRP 0014—HIV-AIDS and Its Impact on the Financial Sector
- HFRP 0014A—Epicentre – demographic study
- HFRP 0014B—Quindiem – actuarial study
- HFRP 0015—Price Waterhouse Cooper, Financial Model for the Johannesburg Metro Council Better Buildings Program
- HFRP 0018—Bartlett, L. A Feasibility Study into the Creation of a SPV for Servcon Housing Solutions



- HFRP 0019—Quindiem, A Feasibility Study into Hardship Cover for Cope Housing Association
- HFRP 0020—Ruicon, A Study into Housing Rights in Welkom for the Legal Resources Centre
- HFRP 0021—Rust, K. An Investigation into Non-State Participation in the Delivery of Housing Finance for Institute for Housing, SA
- HFRP 0022—Irurah, D. (project manager) and CSIR Investigation into Energy Consumption and Cost Implications for Low Income Housing Developments in South Africa's Urban Areas for USAID
- HFRP 0024—Nell, M. Development of a Model for Unions to More Effectively Facilitate Access for Members to Housing Finance for NEHAWU
- HFRP 0024—Gordon, R. Development of a Model for Unions to More Effectively Facilitate Access for Members to Housing Finance for NEHAWU
- HFRP 0025—Rust, K. A Study into the Relationship Between Banks and Alternative Lenders for Rural Housing Loan Fund
- HFRP 0029—Diamond, D. An Appropriate Approach to CRA for South Africa for National Housing Finance Corporation
- HFRP 0030—Grant funding for the Kuyasa Fund
- HFRP 0031—Hofmeyr Herbstein Gihwala, A Revision to the Banks Act Exemption for SACCOL
- HFRP 0032—Zack, T. Provincial Housing Strategy Reviews for USAID
- HFRP 0034—Shorebank for the Alex Renewal Project and the Mpumalanga Housing Finance Company